

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 IGA-02 PM-09 NSC-10 SS-14 RSC-01

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 USIA-12 PRS-01

EB-11 AGR-20 COME-00 TRSE-00 OMB-01 AID-20 RSR-01

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R 291000 Z MAR 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 0672

C O N F I D E N T I A L PHNOM PENH 2910

FOR STATE/ AID

E. O. 11652 GDS

TAGS : EGEN, EFIN, CB

SUBJ: PHNOM PENH RICE SITUATION

REF: PHNOM PENH 2909

1. AS REPORTED IN REFTEL, THE RATE OF DISTRIBUTION OF RICE IN PHNOM PENH HAS RISEN SHARPLY OVER THE PAST SIX WEEKS. LEAVING ASIDE RICE STOCKS OUTSIDE OF PHNOM PENH, RICE STORED IN THE CITY HAS DECLINED FROM AN 83- DAY SUPPLY ON MARCH 1 TO A 67.5 DAY STOCK ON MARCH 23, COMPUTED ON A DAILY AVERAGE OF 450 TONS PER DAY. IN FACT, THROUGH MARCH 23 THE RATE OF DISTRIBUTION WAS OVER 600 TONS DAILY.

2. WHILE AN OFFICIAL UPWARD ADJUSTMENT IN REATAIL PRICES IS NOT POLITICALLY FEASIBLE AT THE PRESENT TIME, THE GKR DOES HAVE IT WITHIN ITS POWER AT LEAST TO HOLD DOWN RELEASES FROM GOVERNMENT- OWNED STOCKS SO THAT THE 450 TONS PER DAY FIGURE IS NOT EXCEEDED. UNTIL NOW ITS PLANNED APPROACH HAS BEEN TO LIMIT AS OF APRIL 1 THE AMOUNTS (I) THE INDIVIDUAL CONSUMERS CAN BUT FROM THE SOUS- ILOTS AND (II) RETAILES CAN SECURE FROM SONEXIM. NO MOVES HAVE BEEN CONTEMPLATED TO CONTROL DISTRIBUTION TO FANK, WHICH ALONE ON MARCH 23 SECURED 911 TONS

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FROM SONEXIM.

3. CONSUMER REATIONING OR AND ATTEMPT TO CONTROL AT THE RETAILER LEVEL WILL PROBABLY BE INEFFECTIVE. FOR THIS REASON WE HAVE STRONGLY RECOMMENDED TO THE MINISTRY OF COMMERCE THAT THE GKR TAKE STEPS NOW TO CONTROL THE DISTRIBUTION BY SONEXIM IN THE FOLLOWING LETTER GIVEN BY THE ECONOMIC COUNSELOR TO SECRETARY OF STATE FOR COMMERCE SARASI ON MARCH 27:

" DURING THE PAST SEVERAL WEEKS, WE HAVE BEEN FOLLOWING THE EXTREMELY HIGH LEVEL OF RICE DISTRIBUTION IN PHNOM PENH WITH GROWING CONCERN, SINCE FEBRUARY 15, THE DISTRICUTION RATE HAS AVERAGED 606 TONS PER DAY& WHICH IS WELL OVER THE 450 TONS PER DAY THAT HAS BEEN CONSIDERED ADEQUATE FOR PHNOM PENH REQUIREMENTS AND HAS BEEN USED FOR PLANNING PURPOSES. ON MARCH 14, 17 AND 23, THE AMOUNT DISTRIBUTED EXCEEDED 1,000 TONS. ON MARCH 23, THE CLOSING STOCKS IN PHNOM PENH WERE EQUIVALENT TO ONLY A 67.5 DAYS' SUPPLY COMPUTED AT A DAILY DISTRIBUTION RATE OF 450 TONS. ON MARCH 1, THERE WAS AN 83 DAY SUPPLY. THIS INCREASE TAKES ON ADDED SIGNIFICANCE IN VIEW OF THE EXTREMELY LIMITED AVAILABILITY OF RICE IN THE UNITED STATES, THAILAND AND ELSEWHERE.

" THE REASONS FOR THE DRAMATIC INCREAE IN THE RICE DISTRIBUTION RATE ARE NOT CLEAR TO US AT THIS MOMENT. WE ARE PARTICULARLY STRUCK BY THE FACT, HOWEVER, THAT THE GREATEST INCREASES HAVE BEEN MADE IN THE IMPORTED RICE RELEASED BY SONEXIM TO THE SOUS- ILOTS, FANK AND RETAILERS.

" IN OUR OPINION, UNLESS STEPS ARE TAKEN IMMEDIATELY TO LIMIT THE AMOUNT OF GOVERNMENT- CONTROLLED RICE RELEASED BY SONEXIM, THEN A SERIOUS RICE SHORTAGE MAY DEVELOP SOON. WE ARE ALSO CONCERNED, AS WE ARE SURE YOU ARE, HAT NO UNAUTHORIZED DIVERSIONS OF RICE TAKE PLACE. CONSEQUENTLY, WE URGE THAT YOUR GOVERNMENT TAKE THE NECESSARY STEPS IMMEDIATELY TO LIMIT RELEASES IN PHNOM PENH BY SONEXIM TO NO MORE THAN 450 TONS PER DAY. SINCE DURING THE FOUR MONTHS FROM NOVEMBER 1972 THROUGH JANUARY 1973 (WHICH WE UNDERSTAND ARE NORMALLY PEAK DEMAND MONTHS) DAILY DISTRIBUTION AVERAGED 367 TONS, WE BELIEVE THAT NOT UNDUE HARDSHIPS SHOULD RESULT.

" WHILE A NUMBER OF FACTORS UNDOUBTDLY CONTRIBUTE TO THIS SITUATION, THE GOING MARKET PRICES FOR VARIOUS TYPES
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OF RICE WHICH ARE SUBSTANTIALLY HIGHER THAN THOSE FIXED

BY THE GOVERNMENT MAY WELL INFLUENCE THE HIGH RATE OF DISTRIBUTION. I RECOGNIZE IT MAY BE DIFFICULT FOR THE GOVERNMENT TO DEAL WITH THE PRICE QUESTION NOW, BUT IT SHOULD BE KEPT FIRMLY IN MIND THAT ARTIFICALLY LOW GOVERNMENT- CONTROLLED PRICES IN THE FACE OF STRONG DEMAND CANNOT BE EFFECTIVE.

" WHILE WE ARE PREPARED, AS YOU KNOW, TO FINANCE AN ADDITIONAL 40,000 TONS OF RICE FROM THAILAND, WE OBVIOUSLY CANNOT COMPLETE THIS TRANSACTION UNLESS THE DISTRIBUTION OF RICE IS BROUGHT UNDER CONTROL AS SOON AS POSSIBLE."

COPIES OF THIS LETTER ARE BEING GIVEN TO THE PRIME MINISTER AND THE MINISTER FOR ECONOMIC AFFAIRS AND FINANCE.

4. IN THE DISCUSSION WITH SARASI ON THE MATTER, THE ECONOMIC COUNSELOR URGED THAT AN ORGANIZATION OR PERSON, ARMED WITH POWER TO CONTROL DISTRIBUTION TO BOTH CIVILIAN AND MILITARY OUTLETS, BE NAMED AS SOON AS POSSIBLE.

5. WITHIN THE LAST FEW DAYS, A COMMITTEE HAS BEEN APPOINTED BY LON NOL TO STUDY THE QUESTION OF PRICE INCREASES FOR RICE, POL, ELECTIRICTY AND WATER AND THE RELATED ISSUE OF GOVERNMENT SALARY ADJUSTMENTS. THIS ACTION IMPLEMENTS TWO OF THE SIXTEEN DECISIONS ANNOUNCED BY PRIME MINSTER HANG THUN HAK ON MARCH 9. THE MEMBERS OF THE COMMITTEE ARE THE MINISTERS FOR ECONOMIC AFFAIRS AND FINANCE, AND LABOR AND SOCIAL ACTION TOGETHER WITH A SECRETARY OF STATE FOR COMMERCE.
SWANK

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